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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

HONORABLE BERNARD M. DECKER,
UNITED STATES DISTRICT JUDGE, et al.,
Petitioners,

vs.

HARPER & ROW PUBLISHERS, INC., et al.,
Respondents.

On Petition For A Writ Of Certiorari To The
United States Court of Appeals
For the Seventh Circuit

SUPPLEMENTAL MEMORANDUM FOR RESPONDENTS

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IN THE

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No. 1337

HONORABLE BERNARD M. DECKER,
UNITED STATES DISTRICT JUDGE, et al.,
Petitioners,

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Petitioners' reply brief (p. 1, n. 1) charges that "defendants have misled this Court" in stating that the validity of the "control group" test was not in issue in *Natta* v. *Hogan*, 392 F.2d 686 (10th Cir., 1968), because; according to petitioners, the *appellees* in *Natta* (rather than the appellant corporation) allegedly "challenged the control group test * * * (Appellees' Br., pp. 32-33, 35)."

In the cited portion of their brief in *Natta* the appellees (and cross-appellants), who as beneficiaries of the "control group" test were allowed access to a number of documents as to which privilege had been claimed, first quoted from

earlier "control group" cases. They then suggested that they were entitled to examine additional documents on the ground that the attorney-client privilege does not apply to communications *from* an attorney to a client (even to "control group" members), and also on the ground that an even broader exception to the attorney-client privilege should be recognized for communications involving patent attorneys. None of the parties in the *Natta* case suggested that the "control group" test unduly *narrowed* the privilege. Accordingly, *that point*, which is all that is involved here, was not in controversy in *Natta;* see our brief in opposition (pp. 8-9).

The pertinent pages of the appellees' brief in *Natta* are attached as an Appendix hereto.*

Respectfully submitted,

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* Petitioners do not deny that the brief of the *appellant corporation* in *Natta* did not question, or even discuss, the soundness of the "control group" test.

APPENDIX

Pertinent pages from the brief of appellees in Natta v. Hogan, 392 F.2d 686 (10th Cir., 1968)

4. Corporate Privilege, Confidentiality and the Control Group Concept

In *Radiant Burners, Inc.* v. *American Gas Association*, 320 F. 2d 314 (7 Cir. 1963), upon which the court below extensively relied, the Seventh Circuit, sitting *en banc*, reversed a *nisi prius* decision foreclosing privilege to corporations, *inter alia*, on the ground that:

> " . . . since secrecy or confidentiality is essential to a claim of the privilege in any event, it is not possible to maintain this relationship because of the possibility of disclosure to persons who constitute or are necessarily related to the corporate entity. . . ." 320 F. 2d at 317.

On this issue of confidentiality, the Seventh Circuit stated:

> "Where a corporation is the client it must act through its officers and agents. The character of the corporate organization and management will vary from the small, family type, one-man variety to the giant with its thousands of employees. The problems concerning confidentiality will necessarily vary accordingly. Judge Wright took note of these difficulties in American Cyanamid Company v. Hercules Powder Company, D.C. D.Del., 211 F. Supp. 85, 88 (1962). Judge Leahy competently met the problem in Zenith Radio Corp. v. Radio Corp. of America, D.C.D.Del., 121 F. Supp. 792 (1954), as did Judge Wyzanski in United States v. United Shoe Machinery Corporation, D.C. D.Mass., 89 F. Supp. 357 (1950) . . . ." 320 F. 2d at 323-324.

As the Seventh Circuit in *Radiant Burners* also recognized, subsequent to the district court decision in the same case, the "control group" concept for limiting the scope of corporate privilege in deference to the privilege prerequisite of confidentiality was evolved in *City of Philadelphia* v. *Westinghouse Electric Corp.*, 210 F. Supp. 483 (E.D. Pa. 1962). While rejecting the blanket repudiation of corporate privilege espoused by the lower court in *Radiant Burners*, the Pennsylvania Court, recognizing the Wigmore essential also espoused by Judge Daughterty and appellants (Br. 31) that a communication, to be privileged, must be "*by* the client" "*to* a professional legal adviser in his capacity as such", stated:

> " . . . the most satisfactory solution, I think, is that if the *employee making the communication*, of whatever rank he may be, *is in a position to control* or even to take a substantial part in a decision about any action which the corporation may take upon the advice of the attorney, or if he is an authorized member of a body or group which has that authority, then, in effect, he is (or personi-

fies) the corporation when *he makes his* disclosure *to* the *lawyer* and the privilege would apply. In all other cases the employee would be merely giving information to the lawyer to enable the latter to advise those in the corporation having the authority to act or refrain from acting on the advice . . . Of course . . . the authority of the person *speaking with the lawyer* to participate in contemplated decisions must be *actual* authority. . . ." 210 F. Supp. 483, 485.

The court rejected the suggestion that "the . . . rank of the employee making the communication" be used "as a guide", concluding that "The trouble with that is that in corporate terminology the same title does not always mean the same thing. Manager, executive, officer—these are not clearly defined terms." 210 F. Supp. at 485.

After *City of Philadelphia* came *Garrison* v. *General Motors Corp.*, 213 F. Supp. 515 (S.D. Cal. 1963), a patent case. In *Garrison*, the district court, somewhat arbitrarily, found a *production* division manager and his chief engineer to constitute members of a "control group" (significantly *no* patent department employees were included) —and thus tended to follow the "rank" approach critized in *City of Philadelphia*. The court in *Garrison*, however, was careful to preserve the integrity of the rule that to be privileged the communication must be *by* the client *to* the attorney.

Judge Daugherty apparently relied upon *Garrison*, which he characterized on March 30 as "the 'control group' case" (R. 67), to *sustain* privilege for four of the documents here in issue. In his final opinion filed June 26, 1967, under the heading "Attorney-Client Privilege (Documents 1 through 13 incl.)", Judge Daugherty stated:

". . . Communications between attorneys in the Patent Division of Phillips Petroleum Company *are not* considered to be communications between attorney and client. The manager [Mr. Arthur Young, said to be an attorney] and assistant manager [Mr. John Paul Jones, also said to be an attorney] of the Patent Division and the manager and assistant manager of the Research and Development Department and the members of the Patent Committee of Phillips Petroleum Company are deemed to be within the 'control group' of said company. A research chemist and a group leader in the Research and Development Department of Phillips Petroleum Company are not deemed to be within the 'control group' of said company. Therefore, communications between an attorney and the managers and assistant managers above mentioned and the Patent Committee are between attorney and client and *are* privileged if they constitute legal advice." (R. 74; inserts and emphasis added.)

5. The Error as to Privilege

As the actual rulings demonstrate, the district court cast attorney-manager Young and attorney-assistant manager Jones of the Phillips patent division in their true role as patent attorneys to deny privilege for communications by (from) them in that capacity. See the rulings denying privilege for documents 1, 4 and 6 (R. 74-76).

Conversely, the district court arbitrarily cast these same patent attorneys in the hypothetical role of "control group" members (*i.e.*, the "client"), presumably because of their title or "rank", to sustain privilege as to communications *to* them from other attorneys in the patent division. It was on this ground alone that privilege was sustained as to documents 2, 9, 10 and 12.

Even if the finding that attorneys Young and Jones are "control persons" were supported by the record—and it is not [37]—the privilege must fail. In each case, as Judge Daugherty in fact found, the communication in question is "*from* [not to] an attorney and *to* [not from] a 'control person' (client)" (emphasis and inserts added). In each case, "the person making the communication" is *himself* the *lawyer* (*not* the *client* as Wigmore requires) who has not been and cannot be shown to be in a "position to control . . . any action which

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[37] The sole evidentiary record with respect to the organization and personnel of the Phillips Petroleum Company patent division is the partisan affidavit of L. Malcolm Oberlin, one of its members, filed on or about January 4, 1967. This partisan affidavit is silent with respect to the actual authority of any of the individuals, including Messrs. Young and Jones, to which it adverts.

There neither was nor could have been any finding below that either Mr. Jones or Mr. Young "executed executive responsibilities in their work" (Br. 31, 32) because there was no evidence before the court on which such finding could have been made. The Oberlin affidavit contains no such averments.

Insofar as the characterization of the documents is concerned, Natta is sorely handicapped because counsel for Natta have never seen the documents, nor had an opportunity to examine or cross-examine any person having knowledge of the documents, the facts attending their preparation, their distribution or content. Under the proceedings conducted below, counsel for Natta were not informed as to which documents fall into which of the appellants' groups. The total record with respect to the nature of the documents, their preparation, distribution and content, consists of (a) the documents themselves which were considered by the district court and (b) the partisan "affidavit of L. Malcolm Oberlin, an attorney with the Patent Division of Phillips. . ." which must be rigorously construed against the appellants, particularly since Natta had no access to contrary or additional facts and no opportunity to cross-examine. The court was also supplied with a list prepared by appellants' counsel and purporting to classify the documents under the headings "date", "type of document", "author", "addressee" and "copies shown to". A copy of this list which, of course, is not evidence and which apparently is *not* in all respects consistent with the findings of the district court as to documents 1 to 13 was forwarded to the Clerk of this Court by the clerk of the district court pursuant to stipulation.

the corporation may take upon [*his*] advice". The opinion below is thus at odds with the very authorities including Wigmore and the decisions in *City of Philadelphia* and *Garrison* upon which it purports to rely.[38]

Such secondary criteria as whether attorneys Young and Jones were properly designated members of a hypothetical control group, distinctions between "house counsel" and "outside counsel" and the predominantly business and technical nature of work of corporate patent division activities, while, on balance, they clearly foreclose privilege in this case, do not in any event afford the true basis for decision.

The issue should have been resolved on the basis of the policy behind the privilege. The question is whether extending the privilege to corporate patent procurement documents will promote that policy and whether, when balanced against the competing policy of accuracy in fact-finding as reinforced by the dominant public interest in patents, the policy of the privilege should prevail. As the preceding portions of this brief demonstrate, in the limited context of the documents here in issue, privilege is, in logic and law, foredoomed.

These same considerations are dispositive of the appellants' contention that the court erred in refusing to extend privilege to documents 1, 3, 5, 7 and 8.

Judge Daugherty found that document 1 is a "Memorandum" dated "(a) May 14, 1952" written by "(b) J. Paul Jones (attorney-asst. mgr. patent division) to (specific addressee-client unidentified)". (R. 74). On these facts, the district court properly concluded as a matter of law "(d) this memorandum is *not* privileged because it does *not* appear to be a communication between attorney-client" (R. 74).

In view of Philips' concessions concerning its nature (Br. 32), Judge Daugherty obviously recognized that as to this communication Mr. Jones was acting in his *true* role as a patent division attorney—*not* as a hypothetical "control person". Hence the document could *not* be privileged under the basic rule, enunciated by the court and accepted by appellants, that "Communications between attorneys in the Patent Division . . . are not . . . communications between attorney and client" (R. 74)—as indeed the court literally held.

[38] To the extent that the opinion below is, as it states on its face, based on the conclusion that the letters in question contain "legal advice", it is in error. It is axiomatic that privilege applies not to *advice*, but only to the facts upon which the advice is premised.